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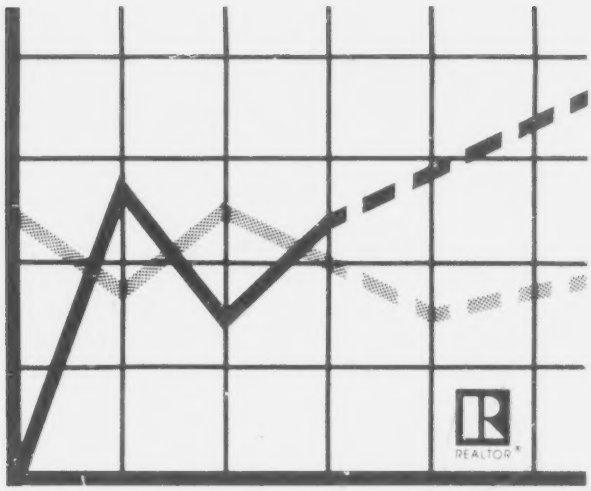
# OUTLOOK FOR THE ECONOMY AND REAL ESTATE

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November 1981

# RECESSION NOW BUT RECOVERY SOON

High interest rate policies have created a recession, but it is likely to be average in length and severity.

Modestly stimulating fiscal policies and excessively tight credit policies produced record interest rates during 1980 and 1981. In March, the President proposed increasing the Federal deficits with tax relief larger than spending reductions. The Administration also endorsed and the Federal Reserve Board provided very slow growth of money supply. The Congress enacted the comparable spending and tax cuts, which are now resulting in both actual increases in federal deficits and expectations of higher deficits in the future which has,is and will keep real interest rates high.

## Profile of the Recession and Recovery

The impact of high interest rates has spread from the housing industry to other sectors of the economy, driving the overall economy into recession. Automobile manufacturing has dropped alarmingly and now commercial and industrial construction and new equipment investment are suffering despite the recent tax law changes.

State and local governments are also reducing their real expenditures as they react to cutbacks of federal grants and aid, reduce bond financing because of high interest rates, and as the recession reduces their tax revenues.

Even the export sector -- which has provided a strong stimulus and growth in the past -- is declining as high U.S. interest rates keep the foreign exchange rate high and stagnant growth in Europe continues.

Recovery from the current recession will likely begin next spring, spurred on by stronger consumption expenditures and initially slow but accelerating improvement in housing and automobile productivity.

The anticipated upturn in economic activity next spring should ensure that the current recession will be about average in severity and length. Overall national output will probably increase a mediocre 1.5 percent this year and another substandard one percent in 1982.

## Inflation

Inflation has subsided to an underlying rate of 9 to 10 percent, primarily because of stable energy and food prices and secondarily from a squeeze on profits. More slowly rising oil prices should continue to hold inflation down through 1982. Food price inflation may also remain modest because of record corn and near record soybean harvests and lower prices for beef and pork.

Further reduction in underlying inflation will depend on the future trend in wage and productivity increases. Workers may attempt faster wage increases to catch up on purchasing power lost in recent years and to keep wages from falling further behind inflation in the future. On the other hand, the recession means fewer jobs which reduces the bargaining position of workers and places downward pressure on wage demands. The Administration's handling of the air traffic controllers dispute may also cool ardor of other public unions. The net result of these pressures is likely to be a slow trend downward in compensation per manhour over the next two years. With a slow improvement in productivity to about 2%, unit labor costs should also trend downward during 1982 and 1983.

Thus, overall inflation can be expected to decline. Consumer price inflation should drop from 10.7 percent in this quarter to 8-9% during 1982 and 1983. Producer prices are already increasing at low 4-5% rates but can be expected to accelerate with the recovery to 10% during 1983.

Thatcherism and Reaganism

The U.S. experience during 1981 has some parallels with recent British experience. Like President Reagan, Prime Minister Margaret Thatcher cut personal income taxes in an effort to stimulate economic growth and slow money growth to help fight inflation. She tried to cut government spending to reduce deficits, public credit demand and interest rates, just as the President is trying. But instead of more rapid economic growth and falling inflation, her policies produced Britain's most severe recession since the 1930's, unemployment over 12 percent, and little progress on the inflation front. She found that even her less stringent monetary policy caused more of an impact on interest rates and growth than inflation.

During the British recession, as will occur with the U.S. recession, deficits creating large tax cuts cannot be easily offset by reductions in government spending. Government expenditures automatically increased for unemployment benefits and other assistance programs. Tax receipts declined because of lower income or output.

The United States economy is more dynamic and competitive than the British. In addition, political intolerance to high interest rates and unemployment is likely greater within the United States. Consequently, neither the private sector nor public sector policies are likely to produce a British-like recession, only a mild version.

Economic Policy

Fiscal policy has remained modestly stimulative and will likely continue. When combined with restraining credit policy, high real interest rates will persist.

President Reagan in March and the Congress in May promised to hold spending to $695 billion in FY 1982 but they have busted the budget by at least $28 billion -- about the same as the 4.4 percent average spending overrun of the past 10 years.

With the economy slowing and tax revenues likely to be below the Administration's initial estimates, there have been renewed calls for "revenue enhancement" measures to reduce the deficit. However, proposals for tax increases are likely to be considered only after the November 1982 election. When tax increases are considered, the Congress and Administration will likely propose sales, excise, and value-added taxes. The first large target of opportunity may be a "windfall profits tax" on natural gas which is released from federal price controls.

The combination of budget-busting and tardy tax increases should cause the federal deficit to increase in 1982, 1983, and 1984. However, the deficit will not increase as a percent of the Gross National Product and may be viewed by investors with less alarm during the years ahead.

## Monetary Policy and Interest Rates

Monetary policy continues to be tight but interest rates are beginning to decline as the demand for credit softens.

The narrowly defined money supply (M1b) has remained flat since its $5.7 billion jump in early October while the more broadly defined money supply (M2) is now growing below the 9 percent upper target of the Federal Reserve Board. The Federal Reserve Board has responded to slower growth of the money supply and reduced demand for credit by lowering its discount rate to 13 percent -- down a full percentage point.

Short-term interest rates have also declined significantly during September and October, and can be expected to fall another percentage point by Christmas. However, these declines may plateau and interest rates could even increase again because of the beginning of recovery in economic activity next year and the high seasonal borrowing of the Treasury.

Long-term rates have not followed short-term rates yet. Holders of long-term debts have been burned by fluctuations in the past and failure of government to deliver on anti-inflation programs. Investors are also hesitant about tying up their savings in long-term investments. However, we can expect long-term rates to follow short- term rates soon. Corporate AAA should decline 1 percentage point from 16 to below 15 percent by mid-winter and mortgage rates from 17 to 15-16 by mid-winter, and stay between 14 and 15 during the remainder of 1982.

Mortgage Finance

Mortgage interest rates will be declining until early next year. The thrift institutions will benefit doubly from falling short term interest rates and inflows from All Savers Certificates. During the summer, the thrift institutions suffered heavy deposit outflows and increasing losses. Insured Savings and Loans posted a $13.3 billion net outflow of deposits for July, August and September. Mutual Savings Banks suffered $3.5 billion in net deposit outflows in July and August. After posting a $1.5 billion loss in the first half of 1981, the net worth of federally insured Savings and Loans declined $1.4 billion during July, August and September.

With the availability of funds tight and the cost of funds increasing, mortgage lending by the thrifts continued to decline. Mortgage commitments for insured Savings and Loans dropped in September to $3.2 billion from $4.0 billion in August and $10.0 billion in September 1980. Outstanding mortgage commitments fell to $16.0 billion; this was $2.7 billion below last October's figure of $18.7 billion.

The overall health of the thrift industry received special attention in Washington after this summer of discontent. The Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank Board, the Treasury Department and the Congress work to improve the viability of the thrifts. Now the thrifts have the competitive All Savers Certificate to attract new funds. The Bank Board survey indicates $13 to $14 billion of these certificates were issued in the first 20 days of October and about one-fourth were from funds outside of thrifts and banks. Early estimates of $100 to $200 billion in All Savers Certificates appear reasonable, including the estimate that one-fourth of the funds will come from new savings and from non-depository institutions.

Commercial banks have not suffered net outflow of deposits. They reported an increase of $4.6 billion in August. This was $2.4 billion above July and 15% above the figure one year ago. The commercial banks, although still not making mortgage loans on the scale of the Savings and Loans have recently been making mortgage loans at a faster growth rate than Savings and Loans and Mutual Savings Banks.

With the outflow of deposits from thrifts and short-term rates on the rise, mortgage rates were high and climbing during the summer. Late in September, mortgage lenders were bidding record yields for Fannie Mae commitments. The Federal Home Loan Bank Board's monthly survey for September showed lenders asking a record 17.7% for fixed rate conventionals. This was the survey's seventh consecutive month reporting an increase. As short term rates continue to decline, mortgage rates should fall from the record levels in October.

Non-traditional sources have now become a more important source of mortgage finance than thrifts and banks. Assumptions, seller acceptance of first or second mortgages and loans from relatives, mostly at interest rates averaging 13 to 14%, were responsible for 1.5 million of the 2.0 million sales (at annual

rates) in September and October. Creative financing therefore accounts for three-quarters of all house sales today, up from one-third just 12 months ago

With deposits growing at the depository institutions with the assistance of the All Savers Certificate, and short-term rates declining through the rest of the year, mortgage rates at financial institutions should decline until early next year. By year end, mortgage rates should be 15% to 16% and below 15% by mid-1982.

## Residential Real Estate

During the long slide into recession, the housing market declined from 4 million to 2 million existing home sales and from 2 million to 0.9 million housing starts by September, as mortgage interest rates set a new record of 17.75%. After adjusting for demographic conditions, this has been the greatest drop since the great depression of the 1930's.

Since the slump in existing home sales started in September 1978, 2.7 million families lost the opportunity to acquire or upgrade their housing, five times worse than any other business cycle in 40 years.

Median existing home prices are only 5.5 percent higher than one year ago. After adjusting for consumer price increases prices have declined by about 5%. Further adjustment to reflect seller costs to provide financing at below market rates of interest, means real housing prices have declined by 8 to 10%, the greatest drop in 40 years.

The closing months of 1981 should turn upward slightly as mortgage interest rates decline, returning home sales to the levels at the beginning of the year. During 1982, housing sales should increase to 2.7 million existing home sales as interest rates decline and incomes rise. During 1983, home sales should climb to 3.5 million units as incomes rise faster and interest rates hold steady or modestly decline.

New home starts can be expected to follow a similar profile of small improvement after November until spring and accelerating to 1.5 million units in the second half of 1982 and 1.8 million units during 1983.

## Commercial and Industrial Real Estate

The boom in commercial and industrial construction has stalled and can be expected to improve only slowly after mid-1982. The growth rate should slowly return to the high levels experienced during 1979 in 1983 and 1984 as shortages of structures and equipment become more prevalent and interest rates are lower.

Table 1

U.S. ECONOMIC OUTLOOK — NOVEMBER 1981

| | QUARTERS | | | | | | | | YEARS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | | | Forecast | | | | | Actual | | Forecast | | |
| | 81:1 | 81:2 | 81:3 | 81:4 | 82:1 | 82:2 | 82:3 | 82:4 | 1979 | 1980 | 1981 | 1982 | 1983 |
| AGGREGATE ECONOMY | | | | | | | | | | | | | |
| Gross National Product ($ billions) | 2,853 | 2,886 | 2,947 | 2,992 | 3,044 | 3,133 | 3,249 | 3,363 | 2,414 | 2,626 | 2,920 | 3,197 | 3,597 |
| Percent Change | 19.2 | 4.7 | 8.8 | 6.3 | 7.1 | 12.2 | 15.7 | 14.7 | 12.0 | 8.8 | 11.2 | 9.5 | 12.5 |
| Percent Change (without inflation) | 8.6 | -1.6 | -0.6 | -3.4 | 0.1 | 4.3 | 6.6 | 4.9 | 3.2 | -0.2 | 1.8 | 1.1 | 4.1 |
| Consumption | 5.8 | -2.1 | 4.3 | 0.3 | 2.9 | 2.8 | 5.6 | 4.5 | 2.9 | 0.5 | 2.8 | 2.7 | 3.7 |
| Durables | 24.1 | -23.3 | 15.3 | -3.4 | 8.7 | 7.4 | 23.1 | 13.7 | 0.2 | -7.4 | 4.5 | 6.5 | 8.6 |
| Nondurables | 4.6 | 2.7 | 1.4 | -1.6 | 1.8 | 2.3 | 2.5 | 1.5 | 2.6 | 1.1 | 2.3 | 1.3 | 2.2 |
| Services | 1.4 | 1.6 | 3.5 | 3.1 | 1.9 | 1.8 | 3.6 | 4.0 | 4.1 | 2.6 | 2.8 | 2.6 | 3.4 |
| Residential Investment | -3.2 | -22.8 | -33.3 | -11.4 | 12.5 | 12.7 | 50.5 | 37.1 | -5.2 | -18.6 | -4.5 | 3.4 | 28.3 |
| Nonresidential Investment | 13.4 | -2.2 | -0.2 | -3.2 | 0.4 | 3.3 | 6.7 | 6.1 | 6.5 | -3.0 | 1.6 | 1.1 | 5.0 |
| Structures | 16.6 | 6.7 | 6.8 | -0.6 | -0.6 | -0.2 | 1.3 | 0.7 | 8.7 | -0.1 | 4.6 | 1.1 | 2.9 |
| Equipment | 11.8 | -5.9 | -3.6 | -4.3 | 0.9 | 5.0 | 9.2 | 8.5 | 5.5 | -4.2 | 0.3 | 1.1 | 5.9 |
| Exports | 13.6 | -2.4 | -8.6 | 0.2 | 0.0 | 2.6 | 5.2 | 4.0 | 15.2 | 9.6 | -0.7 | 0.1 | 4.3 |
| Imports | 10.3 | 14.3 | 10.8 | 2.0 | 5.7 | 5.9 | 8.3 | 8.8 | 6.0 | -0.1 | 6.4 | 6.7 | 6.5 |
| Government Purchases | 5.3 | -5.5 | -0.6 | 0.2 | -2.9 | -2.4 | 3.8 | -1.0 | 1.5 | 2.9 | 0.1 | -1.2 | -0.3 |
| Consumption (% of GNP) | 63.3 | 63.2 | 64.0 | 64.6 | 65.1 | 64.8 | 64.7 | 64.6 | 62.8 | 63.2 | 63.8 | 64.8 | 64.6 |
| Residential Investment (% of GNP) | 3.4 | 3.2 | 2.9 | 2.8 | 2.9 | 2.9 | 3.2 | 3.4 | 4.0 | 3.2 | 3.0 | 3.1 | 3.8 |
| Nonresidential Investment (% of GNP) | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 | 11.0 | 10.7 | 10.7 | 10.7 | 10.8 |
| Inventory Change ($ billions) | 4.5 | 23.3 | 17.6 | -1.3 | -10.8 | 9.2 | 12.1 | 18.8 | 17.5 | -5.9 | 11.0 | 7.3 | 22.3 |
| Mfg. Capacity Utilization Rate (%) | 80 | 80 | 79 | 77 | 76 | 77 | 79 | 79 | 86 | 79 | 79 | 79 | 80 |
| Manufacturing Industrial Production (% change) | 7.5 | 2.9 | 0.0 | -8.6 | -0.9 | 8.2 | 12.9 | 7.2 | 4.6 | -4.5 | 3.1 | 1.8 | 6.0 |
| Employment (millions) | 98.0 | 98.9 | 98.7 | 98.6 | 98.8 | 99.5 | 100.1 | 101.0 | 96.9 | 97.3 | 98.5 | 99.8 | 102.8 |
| Unemployment Rate (%) | 7.3 | 7.4 | 7.2 | 8.2 | 8.3 | 8.2 | 8.0 | 7.8 | 5.8 | 7.1 | 7.5 | 8.1 | 7.4 |
| Auto Sales (millions of units) | 10.1 | 7.8 | 9.3 | 8.0 | 8.8 | 9.2 | 10.2 | 10.7 | 10.6 | 9.0 | 8.8 | 9.7 | 10.7 |
| Disposable Income per Household (average) | 25,251 | 25,682 | 26,325 | 27,015 | 27,463 | 28,068 | 29,361 | 30,113 | 21,565 | 23,748 | 26,068 | 28,749 | 32,071 |
| Percent Change -- Year Ago (w/o inflation) | 0.3 | 1.9 | 1.4 | 1.7 | 1.0 | 1.3 | 3.5 | 3.5 | -2.2 | -0.1 | 1.3 | 2.3 | 3.8 |
| Total Taxes per Household (average) | 13,341 | 13,382 | 13,549 | 13,687 | 13,913 | 14,280 | 14,468 | 14,901 | 11,106 | 12,057 | 13,490 | 14,390 | 15,429 |
| Percent Change -- Year Ago | 13.3 | 14.6 | 12.2 | 7.9 | 4.3 | 6.7 | 6.8 | 8.9 | 10.5 | 8.6 | 11.9 | 6.7 | 7.2 |
| Household Debt as Percent of Disposable Income | 77.9 | 78.1 | 77.5 | 76.5 | 76.6 | 76.1 | 74.1 | 73.6 | 80.2 | 79.4 | 77.5 | 75.1 | 72.8 |
| Consumer Price Inflation (CPI) | 10.8 | 7.5 | 11.9 | 10.7 | 6.8 | 8.0 | 9.2 | 8.5 | 11.3 | 13.5 | 10.5 | 8.8 | 8.4 |
| Gross National Product Inflation (GNP Deflator) | 9.8 | 6.4 | 9.4 | 10.1 | 7.0 | 7.6 | 8.5 | 9.4 | 8.5 | 9.0 | 9.2 | 8.3 | 8.1 |
| Personal Consumption Inflation | 8.0 | 6.5 | 9.1 | 8.0 | 7.5 | 7.3 | 8.2 | 7.5 | 8.9 | 10.2 | 8.3 | 7.8 | 7.4 |
| Residential Construction Inflation | 10.1 | 5.7 | 5.9 | 6.0 | 9.2 | 9.7 | 11.1 | 10.9 | 12.8 | 9.4 | 6.7 | 8.4 | 10.8 |
| Nonresidential Construction Inflation | 5.1 | 14.1 | 8.6 | 7.1 | 10.0 | 10.1 | 11.6 | 11.2 | 12.6 | 13.4 | 9.3 | 9.8 | 11.1 |
| Producers Price Inflation (WPI) | 9.5 | 8.9 | 4.7 | 4.9 | 7.4 | 8.8 | 10.6 | 10.3 | 12.5 | 14.1 | 9.4 | 7.5 | 10.2 |
| Compensation per Manhour (% change) | 11.4 | 9.8 | 9.3 | 9.1 | 10.1 | 9.4 | 9.7 | 9.4 | 9.7 | 9.9 | 10.1 | 9.6 | 9.3 |
| Productivity (% change) | 4.1 | 0.8 | -2.3 | -1.5 | 0.4 | 1.9 | 3.0 | 2.2 | -0.7 | -0.3 | 1.0 | 0.4 | 2.0 |
| Unit Labor Cost (% change) | 6.9 | 8.9 | 11.9 | 10.8 | 9.6 | 7.4 | 6.5 | 7.1 | 10.4 | 10.3 | 9.0 | 9.1 | 7.2 |
| Unit Capital Cost (% change) | 10.8 | 10.2 | 9.5 | 8.8 | 8.3 | 8.0 | 7.8 | 7.7 | 11.3 | 11.3 | 9.8 | 8.0 | 7.9 |
| Before Tax Corporate Profits ($ billions)<1> | 286 | 260 | 242 | 237 | 234 | 253 | 272 | 291 | 255 | 258 | 256 | 262 | 303 |
| Corporate Tax Liability | 88 | 76 | 69 | 67 | 65 | 72 | 79 | 86 | 88 | 82 | 75 | 75 | 87 |
| 'Windfall Profits' Tax Receipts | 29 | 31 | 27 | 28 | 28 | 29 | 29 | 30 | 0 | 13 | 29 | 29 | 31 |
| Inventory Valuation Adjustment | -39 | -24 | -27 | -21 | -28 | -35 | -39 | -39 | -43 | -46 | -28 | -35 | -38 |
| Capital Consumption Adjustment | -15 | -15 | -13 | -14 | -11 | -15 | -20 | -24 | -16 | -17 | -14 | -17 | -28 |
| After Tax Profits | 169 | 153 | 146 | 142 | 141 | 152 | 163 | 175 | 168 | 163 | 152 | 158 | 185 |
| Profits from Current Production (with IVA, CCA) | 115 | 114 | 105 | 107 | 102 | 101 | 104 | 112 | 109 | 100 | 110 | 105 | 119 |
| Adjusted for Inflation (81:1 base) | 115 | 112 | 101 | 100 | 94 | 92 | 93 | 97 | 126 | 107 | 107 | 94 | 99 |
| Percent Change - Year Ago | -1.1 | 6.9 | -3.3 | 0.0 | -18.5 | -18.1 | -8.2 | -3.3 | -1.6 | -15.7 | 0.6 | -12.4 | 5.3 |
| Per Unit of Output (% of GNP) | 4.0 | 4.0 | 3.6 | 3.6 | 3.3 | 3.2 | 3.2 | 3.3 | 4.5 | 3.8 | 3.8 | 3.3 | 3.3 |
| Effective Corporate Tax Rate (%)<1> | 43 | 41 | 41 | 39 | 40 | 42 | 43 | 44 | 45 | 45 | 41 | 42 | 43 |
| Federal Tax Receipts (Unified basis) | 541 | 735 | 619 | 567 | 569 | 831 | 674 | 636 | 481 | 533 | 615 | 677 | 736 |
| Federal Expenditures (Unified basis) | 669 | 670 | 667 | 720 | 732 | 732 | 755 | 782 | 509 | 601 | 681 | 750 | 815 |
| Surplus or Deficit (Unified basis) | -128 | 65 | -47 | -154 | -163 | 99 | -82 | -146 | -28 | -68 | -66 | -73 | -79 |

<1> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

Table 2

REAL ESTATE AND FINANCIAL MARKETS — NOVEMBER 1981

| | QUARTERS | | | | | | | | YEARS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | | | Forecast | | | | | Actual | | Forecast | | |
| | 81:1 | 81:2 | 81:3 | 81:4 | 82:1 | 82:2 | 82:3 | 82:4 | 1979 | 1980 | 1981 | 1982 | 1983 |
| REAL ESTATE MARKETS | | | | | | | | | | | | | |
| Existing Single-Family Home Sales (thousands) | 2,543 | 2,600 | 2,283 | 2,181 | 2,334 | 2,613 | 2,765 | 2,917 | 3,701 | 2,881 | 2,402 | 2,657 | 3,515 |
| Percent Change - Year Ago | -15.4 | 5.5 | -25.3 | -27.2 | -8.2 | 0.5 | 21.1 | 33.7 | -4.2 | -22.2 | -16.6 | 10.6 | 32.3 |
| Dollar Volume (billions) | 193.3 | 204.7 | 182.4 | 174.1 | 189.4 | 217.5 | 235.7 | 252.2 | 237.6 | 209.6 | 188.6 | 223.7 | 322.4 |
| New Single-Family Home Sales (thousands) | 510 | 445 | 362 | 317 | 339 | 373 | 406 | 435 | 709 | 531 | 408 | 388 | 510 |
| Percent Change - Year Ago | -4.1 | -1.5 | -39.8 | -41.5 | -33.6 | -16.1 | 12.1 | 37.3 | -13.2 | -25.1 | -23.2 | -5.0 | 31.5 |
| Private Housing Starts (thousands) | 1,391 | 1,176 | 966 | 973 | 1,181 | 1,294 | 1,481 | 1,600 | 1,745 | 1,292 | 1,126 | 1,389 | 1,795 |
| Single-Family | 874 | 783 | 610 | 616 | 759 | 872 | 993 | 1,070 | 1,194 | 852 | 721 | 924 | 1,200 |
| Multi-Family | 517 | 393 | 361 | 356 | 422 | 422 | 489 | 530 | 551 | 440 | 407 | 465 | 595 |
| Subsidized | 136 | 156 | 155 | 157 | 161 | 163 | 165 | 161 | 120 | 156 | 151 | 163 | 150 |
| Mobile Home Shipments (thousands) | 248 | 255 | 223 | 203 | 211 | 222 | 238 | 251 | 276 | 224 | 232 | 230 | 279 |
| Housing Inventory (millions) | 84.2 | 84.4 | 84.6 | 84.7 | 84.8 | 84.9 | 85.1 | 85.3 | 82.8 | 83.7 | 84.5 | 85.0 | 86.0 |
| New Construction Put In Place - (value) | | | | | | | | | | | | | |
| New Commercial Buildings (% Change) | 54.1 | -5.7 | 5.9 | -7.5 | 1.5 | 6.9 | 7.2 | 11.9 | 33.8 | 21.7 | 9.7 | 2.1 | 13.5 |
| New Industrial Buildings (% Change) | 78.1 | 12.7 | 71.2 | -22.3 | -13.8 | -13.1 | 4.9 | 10.4 | 37.2 | -6.7 | 18.5 | -2.5 | 9.3 |
| Rental Vacancy Rate (%) | 5.2 | 5.0 | 5.1 | 5.0 | 5.0 | 5.0 | 4.8 | 4.8 | 5.4 | 5.4 | 5.1 | 4.9 | 5.0 |
| Unsold New Homes (% of sales) | 65.8 | 74.0 | 77.8 | 71.3 | 67.7 | 65.1 | 60.2 | 56.6 | 59.3 | 70.2 | 72.2 | 62.4 | 53.1 |
| Office Vacancy Rate (%)<1> | 3.8 | 4.1 | 4.4 | 4.3 | 4.3 | 4.2 | 4.0 | 3.9 | 4.4 | 3.7 | 4.1 | 4.1 | 3.8 |
| Industrial Vacancy Rate (%)<1> | 3.8 | 3.6 | 3.7 | 3.8 | 3.7 | 3.6 | 3.6 | 3.5 | 3.0 | 3.5 | 3.7 | 3.6 | 3.4 |
| Existing Home Prices - Median ($1000's) | 64.3 | 66.4 | 67.8 | 68.2 | 69.8 | 72.0 | 74.0 | 75.3 | 55.7 | 62.2 | 66.7 | 72.8 | 80.1 |
| Percent Change - Year Ago | 9.4 | 7.7 | 5.2 | 7.7 | 8.5 | 8.3 | 9.2 | 10.3 | 14.1 | 11.7 | 7.5 | 9.1 | 10.0 |
| Monthly Mortgage Payment (P&I, 80%, 30 yr.) | 667 | 721 | 787 | 759 | 729 | 726 | 735 | 741 | 433 | 588 | 734 | 733 | 789 |
| Percent of Household Income | 27 | 28 | 30 | 28 | 27 | 26 | 25 | 25 | 20 | 25 | 28 | 26 | 25 |
| New Home Prices - Median ($1000's) | 67.2 | 69.2 | 70.6 | 71.6 | 73.4 | 75.3 | 77.6 | 80.0 | 62.7 | 64.9 | 69.7 | 76.6 | 86.4 |
| Percent Change - Year Ago | 5.6 | 9.1 | 7.3 | 7.7 | 9.1 | 8.8 | 10.0 | 11.6 | 12.5 | 3.4 | 7.4 | 9.9 | 12.8 |
| New Home Prices--Mean ($1000's, Quality Adjusted) | 83.3 | 85.3 | 85.8 | 87.1 | 90.8 | 93.1 | 93.9 | 95.6 | 71.4 | 78.5 | 85.4 | 93.3 | 102.1 |
| Percent Change - Year Ago | 10.3 | 8.8 | 7.2 | 8.5 | 9.0 | 9.1 | 9.4 | 9.8 | 14.8 | 10.1 | 8.7 | 9.3 | 9.4 |
| FINANCIAL MARKETS | | | | | | | | | | | | | |
| Total Time and Savings Deposits (% change) | 13.1 | 3.1 | 5.3 | 6.4 | 7.7 | 9.4 | 8.9 | 8.5 | 8.6 | 7.5 | 8.5 | 7.4 | 8.6 |
| Savings Rate (%) | 4.6 | 5.4 | 4.9 | 5.7 | 5.1 | 5.1 | 6.5 | 6.3 | 5.3 | 5.6 | 5.1 | 5.7 | 6.8 |
| Money Supply (M1B) (% change) | 5.2 | 9.1 | 0.7 | 5.1 | 3.6 | 4.7 | 9.7 | 5.9 | 7.8 | 6.3 | 7.0 | 5.0 | 5.6 |
| Money Supply (M2) (% change) | 9.7 | 11.0 | 7.6 | 9.2 | 6.8 | 6.5 | 8.8 | 9.8 | 8.9 | 8.9 | 9.9 | 8.0 | 8.6 |
| New Mortgage Commitments ($ billions) | 78.2 | 69.3 | 70.9 | 71.6 | 74.7 | 80.3 | 84.4 | 89.7 | 129.0 | 87.1 | 72.5 | 82.3 | 107.0 |
| Percent Change - Year Ago | -9.7 | 45.1 | -40.2 | -25.1 | -4.5 | 15.8 | 19.0 | 25.3 | -8.8 | -32.5 | -16.8 | 13.5 | 30.0 |
| Mortgage Debt Outstanding ($ billions) | 1,473 | 1,504 | 1,530 | 1,562 | 1,601 | 1,639 | 1,670 | 1,704 | 1,266 | 1,401 | 1,517 | 1,653 | 1,805 |
| Homeowners' Equity ($ billions) | 2,827 | 2,903 | 2,960 | 3,022 | 3,094 | 3,168 | 3,256 | 3,364 | 2,611 | 2,750 | 2,928 | 3,220 | 3,689 |
| Selected Interest Rates (Percent | | | | | | | | | | | | | |
| New Home Mortgage Commitment Rate | 15.40 | 16.16 | 17.33 | 16.57 | 15.50 | 14.96 | 14.71 | 14.58 | 11.27 | 14.00 | 16.36 | 14.94 | 14.59 |
| Corporate Bond Rate (AAA) | 13.16 | 13.98 | 14.57 | 15.10 | 15.07 | 14.84 | 14.56 | 14.26 | 9.63 | 11.94 | 14.20 | 14.68 | 13.52 |
| Rate on Money Market Fund Shares | 15.67 | 16.51 | 17.48 | 14.44 | 14.24 | 16.18 | 16.78 | 15.62 | 11.12 | 12.89 | 16.02 | 15.70 | 14.06 |
| Commercial Paper Rate | 15.34 | 16.15 | 16.77 | 13.99 | 13.98 | 15.95 | 16.49 | 15.34 | 10.97 | 12.66 | 15.56 | 15.44 | 13.83 |
| Prime Rate | 19.21 | 18.93 | 20.32 | 17.30 | 16.00 | 17.83 | 18.74 | 18.04 | 12.67 | 15.27 | 18.94 | 17.65 | 16.14 |
| Federal Funds Rate | 16.57 | 17.78 | 17.58 | 14.02 | 13.20 | 15.43 | 16.26 | 15.57 | 11.19 | 13.36 | 16.49 | 15.11 | 13.77 |

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.